

# Exhibit Y

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**From:** Zhao, CJ  
**Sent:** Wednesday, July 25, 2007 9:27 AM  
**To:** Gussmann, David; Gonzalez-Rey, Francisco G; Cao, Lin  
**Cc:** Jin, Yawei  
**Subject:** RE: appraisal bias

In that case, send Andre Gao's team the whole universe of subprime loans for which we have addresses -- don't need to be deal by deal.

They do have confidence scores in terms of how accurate they think the projected property values are, and it seems that overall, they do have lots of transaction data even for the subprime loans in this deal.

Also, their recent conclusion is: New Century loans have very significant appraisal bias, so are loans from HSBC. Of course, as always, this kind of information comes after all the headlines, not before.

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**From:** Gussmann, David  
**Sent:** Wednesday, July 25, 2007 10:22 AM  
**To:** Zhao, CJ; Gonzalez-Rey, Francisco G; Cao, Lin  
**Cc:** Jin, Yawei  
**Subject:** RE: appraisal bias

No,

I want to construct a back test to see what the metrics mean.

Take care - David



David Gussmann

VP Capital Markets Strategy, Credit Risk

Fannie Mae

M# 202-904-6587

O# 202-752-5788

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**From:** Zhao, CJ  
**Sent:** Wednesday, July 25, 2007 10:21 AM  
**To:** Gussmann, David; Gonzalez-Rey, Francisco G; Cao, Lin  
**Cc:** Jin, Yawei  
**Subject:** appraisal bias

Do we want to use the appraisal bias information for our deal analysis?

For this SAST deal, if I re-compute the oltv and origCltv using our model predicted home value for all loans whenever available (the properties are on average about 10% overvalued in this deal), the loss along expected scenario is 10.69%, compared to 7.03% for original loan tape. So the appraisal bias is a big deal in terms of impact on our bond analysis if we believe in our model projected property values.

If we further shock the HPA down by 3% for first year (and smaller shocks between year 2 - 5), original loan tape would generate a loss of 10.21%, and the new loan tape re-marked with our model predicted property values would generate a loss of 14.71%, still not enough to break the A- bond. And if the default does peak 12 months earlier than model projected, the loss did go up to as high as 21.61%, the only scenario that is sufficient to break A- bond -- a not totally unlikely scenario though but rather than "expected", it is somewhat "stress".

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